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FISCAL IMPACT STATEMENT

LS 6053

BILL NUMBER: HB 1029

NOTE PREPARED: Mar 5, 2004

BILL AMENDED: Feb 19, 2004

SUBJECT: Child Support Withholding from Tax Refunds.

FIRST AUTHOR: Rep. Kuzman

FIRST SPONSOR: Sen. Landske

BILL STATUS: Enrolled

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a custodial parent may bring an action to recover delinquent child support by intercepting the child support obligor's state income tax refund.

Effective Date: July 1, 2004.

Explanation of State Expenditures: The bill allows a custodial parent to petition the courts to intercept a noncustodial parent's state income tax return. The noncustodial parent must (1) be in arrears of \$1,500 or more in child support, and (2) have intentionally violated the terms of the most recent child support order for the petition to be granted. The bill does not apply to support orders which were entered in Title IV-D cases.

The Department of State Revenue intercepted 54,330 state income tax refunds in FY 2003; a total of \$7.5 M. Almost \$5 M, or 65%, were intercepted to collect child support owed to the state. Other state entities eligible to submit claims are: (1) Health Care for the Indigent, (2) Food Stamps, (3) Temporary Assistance for Needy Families, and (4) the Department of Workforce Development. This bill would add another state entity to this list. The additional cost to the state is dependent on the number of petitions granted to custodial parents who file for interceptions.

The bill requires the courts to notify (1) the noncustodial parent, and (2) a person who filed a joint state income tax return with the noncustodial parent; of the hearing by certified mail, return receipt requested. Both the state and counties would experience an increase in expenditures as a result. The cost to send a one-ounce certified mail letter with a return receipt requested is \$4.44. The number of certified letters needing mailing is dependent on (a) the number of petitions granted to custodial parents, and (b) the number of persons who filed a joint state income tax return with a noncustodial parent.

The bill also allows a person that filed a joint state income tax return with the noncustodial parent to either petition the court or provide testimony at the hearing that the individual believes that part of the individual's and noncustodial parent's joint state income tax refund should not be intercepted for the child support owed. This provision of the bill could potentially increase court time. Any additional court time and cost would depend on the number of persons that choose to provide testimony to or petition the court.

Explanation of State Revenues: This bill allows the potential for additional hearings from which the county and state may receive court fees.

Explanation of Local Expenditures: See *Explanation of State Expenditures*.

Explanation of Local Revenues: See *Explanation of State Revenues*.

State Agencies Affected: Department of Revenue; Family and Social Services Administration.

Local Agencies Affected: Local trial courts.

Information Sources: Shah Towfighi, Department of State Revenue, 232-2107.

Fiscal Analyst: Sarah Brooks, 317-232-9559.